Creating Integrated information, extension, credit and marketing cooperatives

Executive Summary

1) Concept: Provide reliable technical, price, and other information to farmers through a cooperative association owned by farmers and operated in farmers' interests.

2) Rationale: There is a disarticulation of farmers' information sources, production advice and marketing opportunities so that farmers have to get seeds and fertilizer from shops, get credit from another source, gather various bits of market intelligence from yet other sources. Dealers generally provide information about inputs, but they may not be fully informed and may bias information to encourage excessive purchases. Generally reliable information from a public extension system may not be appropriate for the precise inputs available from dealers, often is provided at inappropriate times, is too general, or is not appropriate for particular crops in local areas.

An integrated information, extension, credit and marketing cooperative comprised from groups of village-level farmer membership organizations would overcome these limitations because it would operate in the interests of its members, the smallholder farmers. Where culturally advantageous, women farmers would have their own associations. Local farmer clubs or coops would be close to farmer-members and be the conduit for conveying their needs to a regional or national organization. They would operate village computer kiosks and celluar telephones, own and operate association radios and television sets and be engaged in producing local programs and print media for their members. The regional and national organization would have the capacity to either operate or interface with public-sector market price information systems; would interface with Universities, national and international researchers and sources of relevant technical information. Organizational governance would have to be tailored to circumstances but might consist of local, regional and national-level boards. Technical assistance could be obtained from US or European agricultural cooperatives.

Evidence the project can be successful: Such associations played an important role in Europe and the United States in earlier days and the National Small Farmers' Association of Malawi (NASFAM) is a contemporary successful example of the idea. NASFAM was formed in 1997 as an association of smallholder farmers associations or clubs. Currently close to 100,000 Malawian smallholder farmers are participating in its activities. NASFAM assists its members with marketing their products, together with its member associations operates a network of shops that sell sprayers, pumps, seed and fertilizers to farmers. See: www.nasfam.org

NASFAM member associations jointly own the NASFAM Development Corporation (NASDEC), a not-for profit company, which provides them with access to resources, training and technical assistance. NASDEC in turn owns two subsidiaries, one for commodity marketing and one for information, policy advocacy and outreach. The commodity marketing subsidiary is a revenue-generating marketing organization. NASFAM operates through a clearly defined corporate structure, which separates the governance, commercial and developmental roles within the organization. By doing so, NASFAM ensures that it operates both as a transparent business entity serving its member-owners, and as an effective instrument for community development. NASDEC is governed by a board of twelve directors, eight being democratically elected by NASFAM associations, and four appointed on the basis of technical or commercial ability. The subsidiaries each run under advisory councils, with membership drawn from a broad cross-section of stakeholders to provide technical expertise and guidance.

3) Expected benefits of the project: The benefits of the project will come from more efficient farm production generated by better, more timely technical information, reliable lower cost credit. Furthermore, the reliable source of market price information would provide farmers with higher prices, on average over time. Benefits on a 1 hectare farm are estimated at $35 per year. Intangible benefits will come from the experience farmers get from organizing and running their own clubs and associations.

Sustainability and scale: Well-operated cooperatives reduce marketing margins, save money on inputs and generate better prices for their members and are still able generate enough 'profit' to be self-sustaining. As in the case of NASFAM, some activities generate revenue while others do no; a well-operated cooperative used surplus generated in the first kind of activity to support the second kind. In some countries governments provide farm cooperatives with preferential tax advantages compared to private businesses, adding to their ability to sustain themselves. Such organizations can be scaled-up, but it is not wise to grow too rapidly. An examination of the NASFAM and similar experiences would be required before expanding this executive summary to a full RFP.

4) Projected costs of the project. Each local farm club averaging 50 members would require $250 to organize in the first year but would be self-financing thereafter. We project one team of organizers (one man, one woman) could stimulate the creation of 100 clubs a year so 10 staff members would organize 500 clubs a year ($125,000 for club-start up cost per year). It would take one year to organize, assemble and train a staff and in the first year they would organize half-the full time organizing rate. Organizers would be paid $10,000 per year, the Director $35,000 => $135,000. The Director and each organizing team would need a vehicle $35,000 (start up cost => $210,000) and POL. Benefits,

internal travel and other operating costs together are assumed to equal staffing cost ($135,000). At the end of the second year there would be 750 clubs and the number would increase by 500 each year thereafter so in five years there would be 2250 clubs and about 112,500 farmers in clubs. One-time start up costs (vehicles) are $210,000, annual costs are $125,000 for new clubs, $135,000 for salaries and $135,000 for operations so the total five year cost is $2.185 million, or about $20 per farmer.

5) Measures of success. In year 1: staff engagement rate, club organization rates; in year 2, club organization rate and operations of year 1 clubs; in year 3 and thereafter, activities (information received and used) and benefits (income, crop yield, child health) reported by members.

6) Risks: The success rate for government-stimulated cooperative movements in Asia is not good. India had a federal ministry and devoted considerable resources to encouraging cooperatives, the Philippines did the same. So long as government funds were available they continued to operate but even then, malfeasance and poor business practices undermined them. Success cases other than NASFAM are hard to identify.